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RUEHFR/AMEMBASSY PARIS PRIORITY 1547
RUEHRB/AMEMBASSY RABAT PRIORITY 8103
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C O N F I D E N T I A L TUNIS 000629

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STATE FOR EB/CIP (SHIPMAN) AND NEA/MAG (LAWRENCE)
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E.O. 12958: DECL: 03/16/2016

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SUBJECT: LARGER THAN EXPECTED BIDS FOR TUNISIA'S LARGEST
PRIVATIZATION EVER - TUNISIE TELECOM

REF: A. 05 TUNIS 2234

[B](#). 04 TUNIS 2237

[C](#). 03 TUNIS 1996

Classified By: Ambassador William J. Hudson; Reasons 1.4 (b), (d)

[1](#). (SBU) The larger-than-expected bids (ranging from USD 1.76 to 1.92 billion) for the partial-privatization of Tunisia's telecommunications giant - Tunisie Telecom - continues to be welcome economic news. Local media announced March 15 that the initial slate of six bidders on Tunisie Telecom had been narrowed to three final contenders: France Telecom (FT), Vivendi, and TeCom (UAE), with bids of USD 2.5, 2.4, and 2.3 billion, respectively. On March 16, however, Reuters reported a France Telecom spokesperson's denial of France Telecom's offer of USD 2.5 billion, saying "The figure mentioned is inexact. We offered significantly less." Industry insiders have reported to post that the initial media-reported figures were likely not converted from Tunisian dinars to dollars (current exchange rate of 1.3TD to 1USD), hence the initial overstated figures.

[2](#). (C) Nonetheless, Tunisiana CEO Scott Geggenheimer told Econoff that the range of bids submitted "supports the reliability of a good valuation (for Tunisie Telecom) and indicates the company has strengths." Geggenheimer cautioned that without viewing financial documents he could not render an opinion on Tunisie Telecom's valuation and that "there is a lot of excess liquidity in the region" due to heightened world energy prices, but "the fact that three separate bidders are in general agreement is noteworthy." (Tunisiana is Tunisia's only private mobile services provider and rival to Tunisie Telecom; Tunisie Telecom holds monopoly power for all other telecom services in Tunisia.)

[3](#). (SBU) Initial bids were submitted on March 9 and included South Africa's MTN, Etisalat (UAE), and a joint Telecom Italia/Oger bid (Italy/Saudi Arabia). These latter three are no longer under final consideration. Under the terms of the privatization, top bidders within 10 percent of other top bids are allowed a second opportunity to resubmit their bids. Private attorney and Tunisiana board member, Nouredine Ferchiou, told DCM March 16 that Tunisie Telecom is looking for a "strategic partner," but he insists that financial offers will be the sole criterion for decision. Ferchiou also told DCM that Vivendi sources had expressed surprise

that Vivendi was still in the running, expecting to have been outbid. France Telecom, Vivendi, and TeCom are expected to submit revised bids in the next few weeks.

14. (C) Industry watchers are additionally speculating as to whether or not compromises over key management seats will also now factor into the eventual Tunisie Telecom award. Geggenheimer noted that industry rumors are currently centering on bidders' insistence on, at a minimum, a "co-CEO position", in addition to likely requirements for Chief Financial Officer and Commercial Officer positions. Some media have reported that the GOT's award would be based solely upon the amount of the bid. Geggenheimer noted that even after a winner is announced there will be heightened negotiations over management issues prior to final deal signing. (Ref A reported early speculation on management positions that the GOT would likely insist on retaining. Other reftels provide additional Tunisie Telecom background.)

Comment

15. (C) Tunisie Telecom's 35 percent privatization is a continuation of the GOT's commitment to reduce the role of state planning in the economy and to draw in more foreign investment and management. This privatization, which had been expected to draw bids in the neighborhood of USD 1.5 to 1.6 billion is even more welcome news to the GOT and a sign that the Tunisian investment landscape is, at least in the telecom field, increasingly attractive to foreign investment, given that this sale will surpass all previous Tunisian privatizations combined. While U.S. business interests have not entered this contest, it is not surprising to see French interests actively contending (and likely) to consolidate their dominant position in Maghreb telecom arena.

HUDSON